

**THE MUSTARD SEED OF CENTRAL
FLORIDA, INC.**

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
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Report of Independent Auditor

To the Members of the Board of Directors
The Mustard Seed of Central Florida, Inc.
Orlando, Florida

Opinion

We have audited the accompanying financial statements of The Mustard Seed of Central Florida, Inc. (a Florida nonprofit organization) (the "Organization"), which comprise the statements of financial position for the years ended June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization for the years ended June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Orlando, Florida
September 15, 2022

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 226,546	\$ 231,176
Contributions and grants receivable	20,548	15,784
Inventory of furniture, household goods, and clothing	93,251	75,338
Total Current Assets	<u>340,345</u>	<u>322,298</u>
Land, Building, and Equipment, Net:		
Land	260,000	260,000
Building and improvements	1,079,601	1,079,601
Furniture and equipment	116,555	116,555
Vehicles	161,070	161,070
	<u>1,617,226</u>	<u>1,617,226</u>
Less accumulated depreciation	<u>(854,653)</u>	<u>(796,338)</u>
Total Land, Building, and Equipment, Net	<u>762,573</u>	<u>820,888</u>
Total Assets	<u><u>\$ 1,102,918</u></u>	<u><u>\$ 1,143,186</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 31,427	\$ 33,387
Loans payable - current	9,763	10,969
Total Current Liabilities	<u>41,190</u>	<u>44,356</u>
Loans payable	<u>32,958</u>	<u>66,653</u>
Total Liabilities	<u>74,148</u>	<u>111,009</u>
Net Assets Without Donor Restrictions	<u>1,028,770</u>	<u>1,032,177</u>
Total Liabilities and Net Assets	<u><u>\$ 1,102,918</u></u>	<u><u>\$ 1,143,186</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
Revenues:		
Support:		
In-kind donations	\$ 403,099	\$ 402,030
Clothing, furniture, and pick-up fees	337,175	366,397
Contributions and grants	471,914	445,081
Recycling	125,167	101,004
Fundraisers and special events	57,340	27,737
Total Support	<u>1,394,695</u>	<u>1,342,249</u>
Gain on extinguishment of debt	-	106,682
Gain from insurance proceeds	-	8,213
Total Revenues	<u>1,394,695</u>	<u>1,457,144</u>
Expenses:		
Program Services:		
Resource center	1,198,086	1,124,805
Supporting Services:		
Management and general	131,383	122,166
Fundraising	68,633	53,031
Total Expenses	<u>1,398,102</u>	<u>1,300,002</u>
Changes in net assets	(3,407)	157,142
Net assets without donor restrictions, beginning of year	<u>1,032,177</u>	<u>875,035</u>
Net assets without donor restrictions, end of year	<u>\$ 1,028,770</u>	<u>\$ 1,032,177</u>

The accompanying notes to the financial statements are an integral part of these statements.

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
Employment	\$ 503,881	\$ 80,870	\$ 37,325	\$ 622,076
Distributions to needy individuals and families	385,186	-	-	385,186
Depreciation	50,734	7,581	-	58,315
Vehicle	64,597	-	-	64,597
Facilities and equipment	59,928	7,407	-	67,335
Utilities and telephone	27,268	3,614	1,971	32,853
Operations	33,514	11,490	2,873	47,877
Insurance	46,715	8,175	3,504	58,394
Legal and professional fees	6,128	6,128	-	12,256
Marketing and fundraising	-	-	22,609	22,609
Bank charges	5,357	5,358	-	10,715
Sales tax	4,090	-	-	4,090
Recycling	5,952	-	-	5,952
Miscellaneous	4,736	760	351	5,847
Total Expenses	<u>\$ 1,198,086</u>	<u>\$ 131,383</u>	<u>\$ 68,633</u>	<u>\$ 1,398,102</u>

The accompanying notes to the financial statements are an integral part of these statements.

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Employment	\$ 466,560	\$ 74,880	\$ 34,560	\$ 576,000
Distributions to needy individuals and families	404,014	-	-	404,014
Depreciation	53,799	8,039	-	61,838
Vehicle	29,773	-	-	29,773
Facilities and equipment	41,454	5,123	-	46,577
Utilities and telephone	26,270	3,482	1,899	31,651
Operations	31,929	10,947	2,737	45,613
Insurance	37,510	6,564	2,813	46,887
Legal and professional fees	6,000	6,000	-	12,000
Marketing and fundraising	-	-	10,692	10,692
Bank charges	6,418	6,417	-	12,835
Sales tax	6,256	-	-	6,256
Recycling	10,373	-	-	10,373
Miscellaneous	4,449	714	330	5,493
Total Expenses	<u>\$ 1,124,805</u>	<u>\$ 122,166</u>	<u>\$ 53,031</u>	<u>\$ 1,300,002</u>

The accompanying notes to the financial statements are an integral part of these statements.

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (3,407)	\$ 157,142
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	58,315	61,838
Gain on extinguishment of debt	-	(106,682)
Changes in operating assets and liabilities:		
Contributions and grants receivable	(4,764)	(2,258)
Inventory of household goods and clothing	(17,913)	1,984
Accounts payable and accrued expenses	(1,960)	(7,067)
Net cash flows from operating activities	<u>30,271</u>	<u>104,957</u>
Cash flows from investing activities:		
Purchase of vehicle	<u>-</u>	<u>(21,710)</u>
Cash flows from financing activities:		
Payments on loans payable	<u>(34,901)</u>	<u>(39,127)</u>
Change in cash and cash equivalents	(4,630)	44,120
Cash and cash equivalents, beginning of year	<u>231,176</u>	<u>187,056</u>
Cash and cash equivalents, end of year	<u>\$ 226,546</u>	<u>\$ 231,176</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,820</u>	<u>\$ 4,290</u>
Loan extinguished through forgiveness	<u>\$ -</u>	<u>\$ 106,682</u>

The accompanying notes to the financial statements are an integral part of these statements.

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Organization

The Mustard Seed of Central Florida, Inc. (the “Organization”) was incorporated in the state of Florida as a not-for-profit corporation on June 6, 1988, for the purpose of providing direct public assistance to needy families in the Central Florida area. The Organization collects donations of household furniture and fixtures, clothing, cooking items, and personal goods and redistributes them to needy individuals and families. The primary sources of support are from donor contributions, private foundation grants, application fees, furniture sales, and recycling.

Note 2—Summary of significant accounting policies

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation – Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Without donor restrictions include net assets that are not subject to donor-imposed stipulations. These net assets may be designed for specific purposes by action of the Board of Directors.

With Donor Restrictions – With donor restrictions include net assets subject to donor-imposed stipulations that may expire with the passage of time, that may be satisfied by actions of the Organization or that may be maintained permanently. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from donor restrictions. There were no net assets with donor restrictions as of June 30, 2022 or 2021.

Contributions received with donor-imposed restrictions that are met in the same year as they are received are reported as without donor restrictions. All contributions are considered to be available for general operations unless specifically restricted by the donor.

Cash and Cash Equivalents – Cash and cash equivalents include all cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less when purchased.

Geographic Concentration – The Organization relies on donations from Central Florida residents and businesses. Changes in the local economy could significantly impact the Organization’s operations.

Contributions and Grants Receivable – Contributions and grants receivable are stated at net realizable value. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. There was no allowance for doubtful accounts recorded at June 30, 2022 and 2021.

Donated Inventory – The Organization receives numerous amounts and types of household and personal goods and clothing as donations to be redistributed to needy families. These donated inventory items are recorded as a component of in-kind donations and as inventory. They are valued at their fair market value at the time of the donation based on values reflected on internet websites listing tax deductible values. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated materials for a specific purpose.

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

In-Kind Donations – The Organization received the following contributions of nonfinancial assets during the fiscal years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture contributed	\$ 338,810	\$ 321,488
Clothing contributed	64,289	80,542
Total in-kind donations	<u>\$ 403,099</u>	<u>\$ 402,030</u>

Donated Services – The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services of this type during the fiscal years ended June 30, 2022 and 2021.

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Organization in its program and support activities. The value of these services is not reflected in the statement of activities since it is not susceptible to objective measurement or valuation.

Land, Building, and Equipment – Property and equipment is stated at cost, if purchased, or fair market value, if donated. Improvements and betterments with useful lives of more than one year are capitalized; routine repair and maintenance costs are expensed as incurred.

Depreciation is provided in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

The estimated useful lives are as follows:

Buildings and improvements	39 years
Furniture and equipment	5-7 years
Vehicles	5 years

Depreciation expense totaled \$58,315 and \$61,838 for the years ended June 30, 2022, and 2021, respectively.

Recycling Revenue – The Organization has a Recycling Program whereby mattresses and box springs are deconstructed. The Organization may charge a fee for the receipt of the mattresses and box springs. The Organization also sells the deconstructed recyclable materials to third parties.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from these estimates.

Functional Expense Allocation – The costs incurred by the Organization have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain expenses attributable to program services, management and general and fundraising expenses were allocated by management based upon an estimate of the time the employees were involved and/or the percentage of assets utilized.

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Subsequent Events – The Organization has performed an evaluation of the subsequent events through September 15, 2022, which is the date the financial statements were available to be issued.

Note 3—Inventory

Inventory is valued at estimated fair value at the time of donation. The inventory of donated furniture, household goods, and clothing consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and household goods	\$ 33,622	\$ 29,262
Clothing	59,629	46,076
	<u>\$ 93,251</u>	<u>\$ 75,338</u>

Note 4—Loans payable

On July 10, 2019, the Organization entered into a \$100,000 interest bearing loan payable with a maturity date of August 1, 2024. The loan payable bears a fixed interest rate of 5.00%, with monthly installments of principal and interest of \$664 and a balloon payment at maturity. The loan payable provided immediate proceeds to pay the outstanding balloon payment of the \$200,000 interest bearing loan payable mentioned above. In January 2021, the Organization made an additional payment of \$25,000 to pay down a portion of the loan balance. The amount outstanding on this loan payable was \$39,111 and \$68,596 at June 30, 2022 and 2021, respectively.

In addition, on November 14, 2017, the Organization purchased a truck from Maudlin International Trucks, Inc. in the amount of \$42,530. A down payment of \$15,000 was made at the time of purchase, and the Organization took a loan from Maudlin for the remaining amount of \$27,530. This loan payable has a 0% interest rate, with monthly principal installments of \$451. The final payment for this loan is scheduled to be made in December 2022. The amount outstanding on this loan payable was \$3,610 and \$9,026 at June 30, 2022 and 2021, respectively.

On April 19, 2020, the Organization was granted a loan from Iberia Bank in the amount of \$106,682, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities and maintains its payroll levels. In June 2021, the Organization received full forgiveness of the PPP loan in the amount of \$106,682. The amount was recognized as gain on extinguishment of debt for the fiscal year ended June 30, 2021.

Following are maturities of long-term debt by year:

<u>Years Ending June 30,</u>	<u>Loans Payable</u>
2023	\$ 9,763
2024	6,467
2025	26,491
	42,721
Current portion	(9,763)
Long-term portion	<u>\$ 32,958</u>

THE MUSTARD SEED OF CENTRAL FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5—Line of credit

On July 10, 2019, the Organization agreed to a line of credit agreement for \$150,000 with MidFlorida Bank. The line bears interest at the daily Prime Rate and matures in July 2024. The line is secured by the property of the Organization. The Organization made no draws on the line of credit during the years ended June 30, 2022 and 2021; there are no amounts outstanding related to the line of credit as of June 30, 2022 and 2021.

Note 6—Liquidity

The following table reflects the Organization's financial assets as of June 30 (which excludes inventory of household goods and clothing and property and equipment).

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 226,546	\$ 231,176
Contributions and grants receivable	20,548	15,784
Financial assets at end of year	247,094	246,960
Add line of credit	150,000	150,000
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 397,094</u>	<u>\$ 396,960</u>

As part of the Organization's liquidity management plan, it structures its financial assets to be available as its obligations come due. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.